

DAVID Y. IGE
GOVERNOR



CURT T. OTAGURO
Comptroller

AUDREY HIDANO
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
WRITTEN COMMENTS AND REQUEST TO DEFER
OF
COURTNEY TAGUPA, EXECUTIVE DIRECTOR
ENHANCED 911 BOARD
TO THE
HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
ON
Wednesday, February 19, 2020
2:00 P.M.
CONFERENCE ROOM 308
HB1680, HD1

RELATING TO ENHANCED 911 SERVICES

Chair Luke, Vice Chair Cullen, and members of the Committee, thank you for the opportunity to submit written testimony on HB1680, HD1. I am Courtney Tagupa, Executive Director of the Enhanced 911 Board, representing the Board which is comprised of 13 voting members representing emergency responders from the four counties, consumer and IT government representatives, and private sector communications industry representatives.

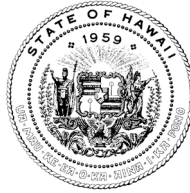
The State of Hawaii E911 Board is in support of a remedy to the Enhanced 911 funding inequity between users who currently post pay (via contracts with carriers and service providers) \$0.66 per month for Voice over Internet Protocol (VoIP), and/or wireless (commonly referred to as cellular, or mobile, phone) service fees for 911 access, and purchasers of prepaid cellular service who do not pay any service fee for the same 911 capability.

However, at its monthly meeting on Thursday, February 6, 2020, the Enhanced 911 Board discussed at length HB1680 and voted to respectfully request that HB1680, HD1 be **deferred** to allow for further analysis on the budgetary impact of changing the E911 surcharge structure. The Board has engaged a national subject matter expert to assess the needs of a future Hawaii Statewide Next Generation 911 system and provide a strategic plan and cost estimate. The Board will be able to more accurately recommend the optimum surcharge rates for all consumers with the completion of the report estimated in December 2020.

Mahalo for your time and consideration of our input. Please contact me for further questions.

Courtney Tagupa
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DOUGLAS MURDOCK
CHIEF INFORMATION
OFFICER

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Testimony of
DOUGLAS MURDOCK
Chief Information Officer
Enterprise Technology Services

Before the

HOUSE COMMITTEE ON FINANCE
WEDNESDAY, FEBRUARY 18, 2020

HOUSE BILL NO. 1680 HD1
RELATING TO ENHANCED 911 SERVICES

Dear Chair Luke, Vice Chair Cullen, and members of the committee:

As a member of the Enhanced 911 Board, I am supporting the request by the Enhanced 911 Board to **defer** House Bill No. 1680 HD1, which amends the enhanced 911 surcharge rates.

The Enhanced 911 Board is working with subject matter expert consultants to review strategies that will enhance and maintain the next generation 911 dispatch systems for all public service answering points in the state to better serve and protect the public. This comprehensive consultant report, expected later this year, will provide the timeline, tasks, and costs to assess our options.

I respectfully suggest that the current fee structure remains in place until the study is completed.

Thank you for this opportunity to testify on this measure.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Enhanced 911 Surcharge on Prepaid Wireless

BILL NUMBER: HB 1680, HD-1

INTRODUCED BY: House Committee on Intrastate Commerce

EXECUTIVE SUMMARY: Establishes a prepaid wireless E911 surcharge to be imposed on prepaid wireless telecommunications services purchased at a retail transaction. Allows sellers to deduct and retain three per cent of the surcharge for administrative expenses. Requires deposit of the surcharge balance into the enhanced 911 fund. Amends the enhanced 911 surcharge rate. Effective 7/1/2050. Coverage of prepaid wireless is seen as a way to close a loophole in existing law.

SYNOPSIS: Adds a new section to HRS chapter 138 to provide that an enhanced 911 surcharge of 1.5% shall be imposed as a one-time charge on prepaid wireless telecommunications services. The surcharge shall be the liability of the consumer but collected by the seller. Allows the seller to retain 3% of the surcharge collected from consumers and remit the balance to the enhanced 911 board.

Amends section 138-4, HRS, to set the rate of the surcharge at 60 cents per month, down from 66, and to remove the exception for prepaid connections.

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: The legislature by Act 159, SLH 1994, established a wireless enhanced 911 surcharge of 66 cents per month and a wireless enhanced 911 fund to allow deployment of phase 1 and phase 2 of the wireless enhanced 911 service and expenses of administering the fund. The wireless enhanced 911 program allows wireless phones to be located by public safety personnel in the event of an emergency. The fee is collected to reimburse facilities that provide Public Safety Answering Points (PSAP) which are set up to determine the location of a wireless 911 call for emergency services.

In Act 79, SLH 2009, the legislature determined that there was an excess \$16 million in the enhanced 911 fund. At the time, public safety officials complained that diversion of receipts in the fund could disqualify the state from participating in federal grant programs to enhance the technology of 911 systems. But the fund was raided anyway. Perhaps lawmakers should investigate whether all the funding needs of the system have been made and if upgrades are still needed. Are there technologies still to be implemented to fully operate the system? Is the rate too high, bringing in revenues faster than they can be spent? If the latter is true, then lawmakers should consider reducing the rate so the monthly burden will not be as great on users.

Currently, wireless phones are assessed a surcharge of 66 cents per month while landline phones are assessed 27 cents per month. Prepaid service connections or prepaid pay as you go cell

Re: HB 1680, HD-1
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phones are exempt from this surcharge. Because prepaid phones also have access to enhanced 911 services, it appears equitable to assess those phones a fair rate as well.

Digested 2/9/2020



LATE

TESTIMONY OF TINA YAMAKI
PRESIDENT
RETAIL MERCHANTS OF HAWAII
FEBRUARY 19, 2020

Re: HB 1680 HD1 RELATING TO ENHANCED 911 SERVICES

Good afternoon Chair Luke and members of the House Committee on Finance. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii (RMH) is a statewide not-for-profit trade organization committed to supporting the retail industry and business in general in Hawaii. The retail industry is one of the largest employers in the state, employing 25% of the labor force.

The Retail Merchants of Hawaii is **STRONGLY OPPOSED to HB 1680 HD1 Relating to Enhanced 911 Services**. This measure establishes a prepaid wireless E911 surcharge to be imposed on prepaid wireless telecommunications services purchased at a retail transaction; allows sellers to deduct and retain three per cent of the surcharge for administrative expenses; requires deposit of the surcharge balance into the enhanced 911 fund; amends the enhanced 911 surcharge rate and is effective 7/1/2050.

The Retail Merchants of Hawaii acknowledges the importance being able to access the 911 service during an emergency from a land line or mobile device. Unfortunately, **this proposed surcharge is a tax that is aimed at those on a fixed income and the financially challenged like the elderly** - who are the specific niche market that uses prepaid cell services. Many on a fixed income do not have international calling on their phones, however they purchase international phone cards at the neighborhood mom and pop store to call their loved ones, family and friends in places like the Philippines, Japan, Korea, and Samoa.

In their recent report to the legislature, the **E911 Board began their 2018 fiscal year with \$25.5 million and began their 2019 fiscal year with \$27.2 million cash balance**. The monies in this measure should be placed under the Dept of Taxation where there is oversight. Instead, Hawaii is currently the **ONLY** state where the E911 funds are not part of the Department of Taxation, but the Department of Accounting and General Services - where there is no real oversight. We cannot help but wonder **why is the E911 Board is going after small businesses and those who are financially challenged when they have a surplus of funds**.

Prepaid phone cards would be covered under this measure and small retailers, especially those in the community carry these phone cards for those calling their family overseas as their cellphone is their only means of communication. **The most harmful consequence of this new tax guised as a surcharge will be on our smaller retailers who are already operating on a thin margin as the cost to implement this new "tax" can be substantial**. The 3% that the retailers would be able to retain is not enough to cover the administrative costs. **With the surcharge being 60 cents, retailers would be able to retain only ONE PENNY**. For the mom & pop neighborhood corner store, this would especially pose a hardship as the costs to upgrade would include:

- **\$5,000 - \$10,000 per unit for a new Point of Sales (POS) system or an upgrade** to their existing antiquated system to handle this new surcharge would include the terminals, the computer hardware and software. Many small mom & pop corner stores use a basic cash registers that are more like simple calculators that adds up the purchase on a
- **Upwards of \$140 per hour for an IT specialist to program and install the updates** on all of the individual terminals and input all of the new SKU/barcode numbers into the system so that the various denominations of prepaid phone services are recognized and the proper surcharge tax could be levied. **This would not be included in their original service contract as it is a NEW TAX.**
- **Additional monthly average charge of \$100 per hour for a bookkeeper or \$250 per hour for a CPA**. The time and cost would be higher for those retailers who have cash registers that don't itemize purchases (shows only the price but not what the item is - like a adding machine tape), as accountants would have to go line by line purchase by purchase to highlight out the Prepaid Wireless Services purchased as well as fill out the necessary

reports and paperwork associated with maintaining accurate records, and preparing and submitting the returns and payments.

Retailers are constantly seeing a surge of online purchasing and this would include prepaid wireless services. If customers are purchasing services online, they can circumvent having to pay taxes and surcharges while enjoying free shipping. **We also question what type of enforcement will be in place and how will they enforce this if they don't know who all are selling the services?** Under the current bill there is also no enforcement component. **E911 Board in a previous hearing has indicated that are unsure who is all selling prepaid services in Hawaii.**

The 3% the retailers could retain is not enough to cover the costs involved. As a result, this additional costs of doing business will be passed on and shared by all consumers, thus driving up the cost of living in Hawaii. **Those on a fixed income like the elderly who do not qualify for public assistance may be burdened the most.** To absorb the cost of implementing this surcharge, an increase in prices throughout the store may be seen on items that include but are not limited to rice, spam, milk and toilet paper to name a few.

Government mandates like this one also has the potential to force some of these small locally owned businesses to close, leaving people out of work. Or we will see businesses no longer selling prepaid phone services.

We respectfully ask that your consideration NOT to add greater burden to our cost of doing business or our cost of living and urge you to hold this measure. Mahalo for this opportunity to testify.